

# A GUIDE TO CASE ANALYSIS

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## A SAMPLE CASE: TOLEDO MANUFACTURING COMPANY<sup>1</sup>

The Toledo Manufacturing Company was a medium-sized manufacturer of custom-made electrical motors and motor housings. In 1966, 400 workers and managers were employed by the company. TMC had experienced a steady growth since its founding in 1931. Its sales in 1965 totaled nearly P13,000,000. The organization chart of TMC is shown in Exhibit 1. All manufacturing operations were carried on in a twenty-year-old three-story factory located on the outskirts of the city of Manila. The production shops were located on the two bottom floors, and the top floor was occupied by management and staff personnel. The basement was used mainly as a storage area. The management and staff offices were scheduled to be moved into a new building adjacent to the present factory in early 1967.

### *The Procurement Department*

Ten men were involved in procurement of materials for the Toledo Manufacturing Company: a manager (Jose Tan), an assistant manager, three buyers, and five clerks. Each buyer was responsible for a particular line of materials. Exhibit 2 presents a profile of the managers and buyers. In 1965, a new manager was hired to head the procurement department. The old manager had been granted an indefinite leave of absence to study in the United States. Jose Tan, the new procurement manager, was 24 years old. A graduate of the Ateneo de Manila, Mr. Tan was attracted to TMC by the young top management team. The average age of TMC's managers in 1966 was 34 years old.

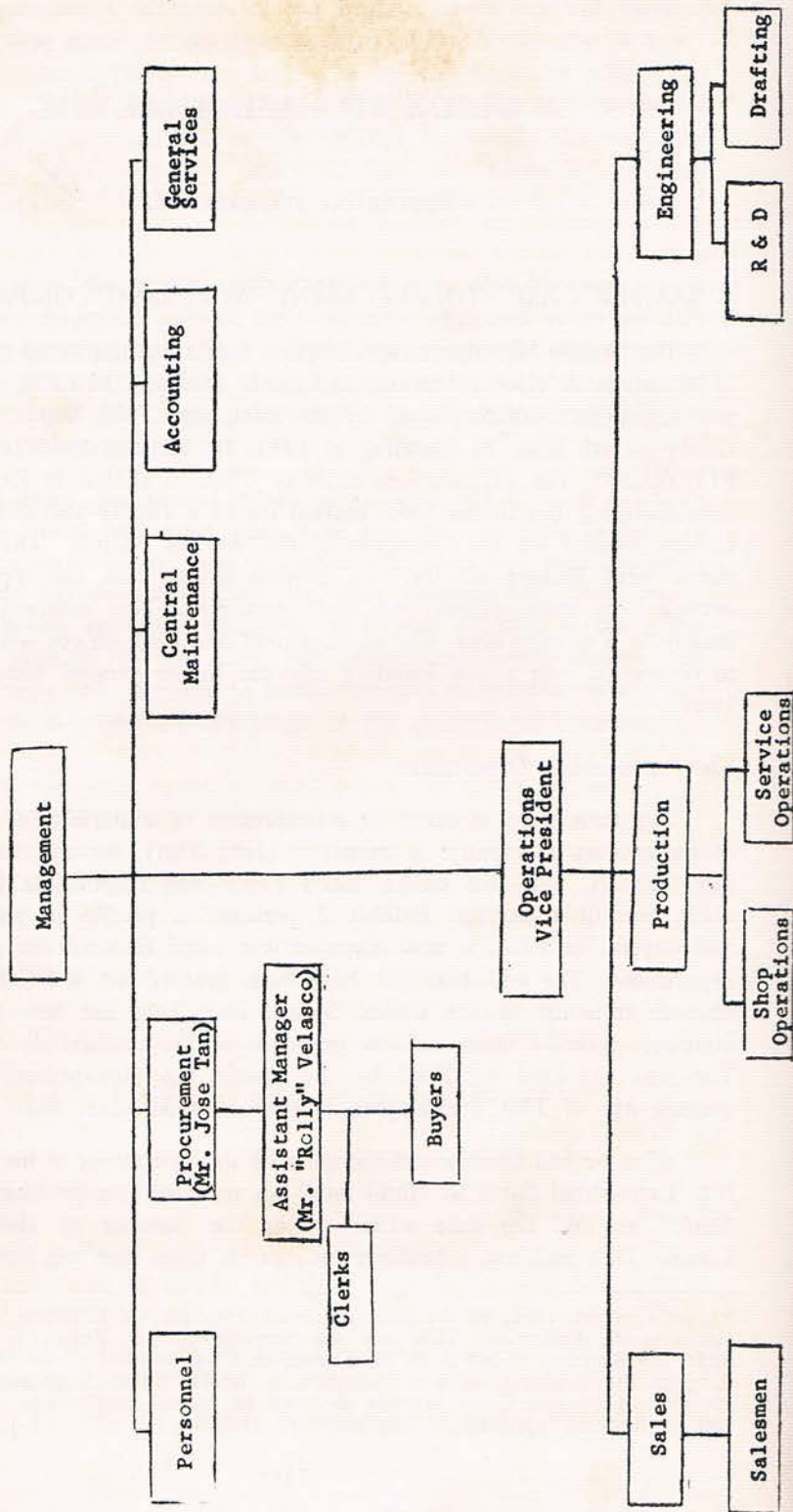
After he had familiarized himself with the operations of his department, Mr. Tan settled down to "think out" his most serious problem. "My problem," he told the case writer during the summer of 1966, "is Pete Lazaro. He's just not productive enough. It takes him too long to deliver

<sup>1</sup> Copyright, 1966, by the Inter-University Program for Graduate Business Education in the Philippines. This case was prepared by Mr. Robert A. Stringer, Jr., under the direction of Mr. J. B. M. Kassarian. Case material of the Inter-University Program for Graduate Business Education in the Philippines is prepared as a basis for class discussion. Cases are not designed to present illustrations of either correct or incorrect handling of administrative problems.)

Exhibit 1

Organization Chart of

Toledo Manufacturing Company (1966)



the parts, and his buying is too expensive. He's slowed down, just at the time when we're expanding our operations like never before."

### *Pete Lazaro*

Pete Lazaro was responsible for the purchase of small hardware items. TMC did not keep many of these items in stock because most of TMC's motors were made to customer specifications. Mr. Lazaro's job consisted of getting the needed hardware items on short notice. When a production manager requested nuts or bolts, Mr. Lazaro would call up a supplier and arrange for a company jeep to pick up the parts. Timing was the most important aspect of Mr. Lazaro's job.

Pete Lazaro was one of the original employees of TMC, and his years of experience in procurement were considered a valuable company asset. During the 1930's, when TMC was just beginning to grow, Mr. Lazaro had been designated assistant to the president. During that time, it was known that he was a most trusted purchasing man.

Mr. Tan: There's little doubt that Pete knows the trade; he's been around for some time. But there are some personal practices he has which must be corrected. The entire purchasing department used to be located in the basement. Three years ago, we moved upstairs. Pete still has his office in the basement. He says he can't get a telephone line up here. But that's crazy—we all do. I don't think he wants us around. And he keeps very odd hours. About five years ago, he started coming to work in the afternoons and working into the evening. Now he comes in at 8 or 9 at night and works till early morning. Yesterday, he came in at 3 in the morning and went home at eight, just when we all arrived for work. My predecessor didn't mind this, I guess. It doesn't seem to bother the other buyers, but it hurts our business. He's never around. I can't keep track of him. When a production manager wants a part, he's got to wait until the next day.

He says he puts in his eight hours, and then spends a good part of the daytime doing follow-up work. But he's not as good a buyer as he used to be. One of the production managers showed me one of the parts he'd bought and showed me the price. It was very expensive. Pete didn't shop around for that part.

The procurement manager went on to cite another case where Mr. Lazaro had "overspent" on hardware items. He then reminded the case witer that the assistant procurement manager received only ₱750 per month. "My assistant is worth more than ₱981. One of the things that has always bothered me in procurement is honesty. Because of the nature of

the hardware items, it's very very hard to spot when a man is stealing from the company. We've never had any reason whatsoever to suspect Pete, but it's always worried me, I guess. All of us are new around here. I'm convinced Pete could really help the younger buyers. There are a lot of "tips" he could give them, but there's no communication. In theory, Pete should be a valuable man."

#### EXHIBIT 2

#### Profile of Procurement Managers and Buyers (1966)

NAME	AGE	WITH TMC YEARS	WAGE MONTHLY	DUTIES
Jose Tan	24	2	P1500	manager
"Rolly" Velasco	26	1	P 750	assistant to the manager
"Al" Porciuncula	21	½	P 300	buyer for mechanical and electromagnetic components; spare parts
"Pete" Lazaro	56	35	P 981	buyer for hardware (mainly small orders of nuts, bolts, screws)
"Che" Bosco	25	2	P 440	buyer for metals and shop equipments

#### WHAT IS A CASE?

The *Toledo Manufacturing Company* is an introductory case meant to be used in a course dealing with human behavior in organizations. Its primary focus, therefore, is on the *human aspects* of management (rather than the financial, marketing or technical).

From this sample case, it can be seen that a case is a description of a real-life business situation. It is the story of the evolution of a specific problem in an on-going organization. Most cases provide the student with some background information about the organization and the managers involved. Most cases trace the development of the situation and give the student a genuine feeling for the complexities of the problems facing the characters in the case. The student is usually asked to put himself in the position of one of these characters, and is forced to come to a decision as to how the case problems can best be solved. Cases are not chronicles of "good" or "bad" management; they are "snapshots" of real administrative situations. The student is given the facts, and then he is asked to act on the basis of these facts.

#### A FRAMEWORK FOR ANALYSIS

In order for the student to reach a sound decision, he must analyze the data presented in the case. A large part of this analysis involves the

identification of relevant and irrelevant data, significant and insignificant facts, and important and unimportant events. This paper presents a useful framework for this kind of analysis. If the steps outlined below are followed, students should be able to improve and develop their analytic and decision-making abilities. An even larger part of effective case analysis involves the student's own powers of reason, insight, and imagination. The framework presented may help a student organize his thoughts, but it certainly isn't going to do the thinking for him.

(a) Step One: Defining the Problem in the Case

Buried in each case are a multitude of business and management problems. There may be more than one major problem presented, but each case problem should be explicitly placed in order of importance. Defining the problem of a case is often the most difficult job facing the business student. It should be done very carefully, for the entire analysis depends on the problem definition.

(b) Step Two: Setting Objectives

Once you have defined the problem in the case (and to help you define it, if it is especially complex), the student must decide "what he wants to do." He must set explicit objectives that he wants his decisions or actions to accomplish. Without such objectives, it would be impossible to tell a "good" decision from a "bad" one.

It is important that the student decide upon standards of evaluation when he is setting his case objectives. Standards should be specific enough to lend themselves to easy implementation.

(c) Step Three: Outlining Alternative Courses of Action

Once the problem has been outlined and the student has isolated his specific objectives, the alternative solution should be examined. Each alternative will have its strengths and weaknesses, and these should be made explicit. None will be "perfect," but—by keeping the objectives and standards in mind—one or two approaches can be chosen. There is no "right" or "wrong" problem solution; the merits of a case analysis depend on the *depth of analysis* as well as the decision reached. A student who reaches a decision for unsound reasons is a poorer business manager in the long run, than one who reaches a questionable decision (in this case) for very sound reasons.

In any case, the student will have to make *assumptions* about facts that are not explicitly outlined in the case. The

fewer the assumptions that have to be made in a case analysis, the better the analysis is. If you must make assumptions, they should be made explicit. In no case should a course of action revolve solely around an assumption. If the student must use an assumption to support his entire case, it cannot be that strong!

(d) Step Four: Reaching a Decision

Every student should decide upon a course of action before coming to class. The very process of making a decision and preparing to defend it should open the student's eyes to the strengths and weaknesses of his analysis. It is most important that the student's decision be directed at *the problem as defined*; and it is equally important that the *consequences* of the conclusions be carefully examined. A final warning: don't solve the case problem by creating new, more difficult problems!

#### A SAMPLE ANALYSIS

To illustrate how this framework might be used, a sample analysis of the *Toledo Manufacturing Company* case is presented below.

1. *What is the Problem?* Even in this short case a number of problems exist. From Pete Lazaro's point of view, the problem might be defined as: "How can I get my manager off my back?" In the third paragraph, Jose Tan states that "his problem" is Pete Lazaro. Rather than accept either of these narrow definitions of the problem, let us define it from the perspective of the entire purchasing department. The efficiency of the department is being threatened. From the department's point of view, Pete Lazaro's behavior is a problem because, not only is he "overspending" and "slowing down," but his physical absence prevents the younger members of the department from *learning* from the experienced buyer. Without such on-the-job training, the future efficiency of the department may suffer.

With such thoughts in mind, we might define the case problem as follows: "What can be done to improve the total performance of the procurement department—both in the short *and* long run?"

2. *What are our objectives?* We must face the fact that Pete Lazaro's behavior has, in large part, created the problem as defined above. It is Pete's performance that is worrying Mr. Tan, and it is Pete's experience that can possibly help the new manager train better buyers. We now can see why it would have been dangerous to define the problem as "Pete Lazaro." If this were done, we may have overlooked the positive contributions Pete can make towards improving the department's performance.

In order to arrive at specific objectives for changing Pete Lazaro's behavior and improving the department's performance, we must analyze the nature of Pete Lazaro's task. There is no inventory of parts and the critical factor in the job is delivery on *short notice*. Therefore, Pete's absence from the plant during working hours is especially inefficient and expensive from the company's viewpoint. Our first objective then should be to *improve departmental performance by reducing the "response time" on the orders of small hardware items.*

A second objective, looking to longer-term performance improvement, might read: *increase the training of the younger buyers by increasing the informal interactions and exchanges of knowledge between Pete Lazaro and the rest of the department.* This objective assumes that Pete's experience is a company asset and can be put to good use by Mr. Tan.

3. *What alternatives are open to us?* We cannot begin to think of alternative courses of action until we have assured ourselves that we understand *why* Pete Lazaro is behaving the way he is. Since we have set objectives that involve changing Pete's behavior, it is imperative that we analyze the main-springs of this behavior.

From Exhibit 2, we can see the great age and salary disparity that exists among the buyers in the Procurement Department. Salary alone puts Pete "above" his co-workers in his own eyes. His age excludes him from many of the social interests of his co-workers. Pete was once a very important man in TMC; now he sees himself as playing an unimportant role. His response is to avoid: he avoids his fellow workers, he avoids his manager, he avoids even the production managers (perhaps they remind him of responsibilities he once had, or perhaps they are "young and fresh" and he resents taking orders from them).

This avoidance behavior serves a genuine purpose *for Pete Lazaro*. Utilizing the concept of "function"<sup>2</sup> we might say that Pete's holding office in the basement and keeping odd working hours is functional for the maintenance of his self-esteem. He is not forced to be reminded of his perceived "unimportant" job. His internal personality system can thus operate normally (although "deep inside himself" he will have doubts about his own worth and self-esteem). By avoiding pressing work problems and by avoiding other people, he thinks he can escape the ever-present conflicts caused by his advancing age and "slowing down" on the job.

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<sup>2</sup>Very simply, one variable is a "function" of another if its magnitude varies with the magnitude of the other. The term "dysfunctional", is used to denote impairment. For example, smoking cigarettes may be *functional* for calming the nerves, but it may be *dysfunctional* for the preservation of good health. The concept of function, and the overall systems approach to organizational behavior, are best explained in one or more articles distributed by the Philippine Case Clearing House.

We have already defined our problem and set our objectives with the understanding that Pete's behavior is dysfunctional for the maintenance of high performance and overall efficiency in the procurement department and the company as a whole.

Armed with this understanding of Pete Lazaro, we can proceed to outline several alternative courses of action.

(a) Do nothing. This is what the former manager did, but all the problems of the department remain. It may be an "easy way out" if the student decides that hurting Pete's feelings is more costly than improving the department's performance. But we have defined the problem and set our objectives in terms of *performance* rather than smoothing-over feelings, and there is little evidence to suggest that performance will improve by itself.

(b) Fire Pete. This may be another "easy" alternative, but it ignores our second objective. It will also force Mr. Tan to hire and train a new buyer just when TMC is expanding rapidly. Other "oldtimers" in the firm may not react favorably to the precedent set by the firing of Pete Lazaro.

(c) Talk to Pete. This may prove to be a compromise that satisfied some of Mr. Tan's own needs ("well at least I did something . . ."), but it does not get at the roots of Pete's problems: Words alone will not make Pete feel more important, and words alone will not alter his behavior enough to satisfy our objectives. Therefore, a fourth alternative seems most appropriate.

(d) Arrive at a department-wide solution. By bringing the other buyers and the assistant manager into the action plan, Pete's needs can be met and our objectives can be approached. For it is the other men in the department who make Pete feel "worthless." Production managers might also be included. All of these parties must agree that Pete is valuable *if* he conforms to the needs of the department and the demands of the job. Informal training sessions could be arranged to bring Pete into the social work setting of the department. The upcoming move to a new location might provide a good opportunity to integrate Pete back into the department. A desk and telephone can be especially "reserved" for him so he can rejoin the staff and keep regular hours.

Undoubtedly there are other feasible alternatives or variations of the four outlined above, depending on the student's definition of the problem and his objectives. It is hoped that these four will suffice for illustrative purposes.

4. *Come to a conclusion.* We will accept the last alternative. None of the first three alternatives meet our objectives. In reaching this decision,



we must pay close attention to the consequences of our actions. In this brief guide, it will be impossible, although we have already outlined some of the most probable consequences. It is reasonable to expect that Pete Lazaro will initially resist and "distrust" any action Mr. Tan takes. But, if Mr. Tan can convince Pete of his sincerity, the old buyer should *begin* to change his behavior. Pete's pride may prevent him from accepting all of the implications of the action plan. Jose Tan should, therefore, emphasize his training objectives to "soften" the changes.

*If* Pete Lazaro is unwilling to alter his behavior or improve his performance, the second alternative seems most likely to solve the problem and achieve at least one of our objectives. Mr. Tan should begin to think of alternative training schemes to insure the long-term efficiency of his department if Pete Lazaro cannot be used.

Many students may disagree with the above case analysis. There is no "right" or "wrong" answer to the problems presented in the *Toledo Manufacturing Company* case. There seldom are "fool-proof" solutions to all of the case problems. As long as the *approach* to the analysis of the case follows the framework we have described, the success of the analysis will depend on the student's powers of reason and imagination. To reiterate:

- (a) define the problem;
- (b) arrive at explicit objectives;
- (c) outline the possible alternatives that would satisfy your objectives and solve (or begin to solve) the problem (making sure that the consequences of each alternative are examined);
- (d) come to a conclusion; make a decision and be prepared to defend it!